

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 PA-02

PRS-01 USIA-15 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00

XMB-04 OPIC-06 LAB-04 SIL-01 /111 W
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R 081537Z AUG 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2003

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 12824

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING AUGUST 7)

1. EMMINGER: "FOR THE TIME BEING NO ALTERNATIVE TO FLOATING". IN AN INTERVIEW WITH DPA EARLIER THIS WEEK BUNDESBANK VICE PRESIDENT EMMINGER EXPRESSED SCEPTICISM TOWARD THE "AMBITIOUS" OBJECTIVE OF CERTAIN COUNTRIES TO RETURN TO A FIXED EXCHANGE RATE SYSTEM IN THE NEAR FUTURE. EMMINGER SAID IT WOULD SIMPLY BE IMPOSSIBLE TO RETURN TO FIXED PARITIES THROUGH A MERE AGREEMENT WITHIN THE IMF WITHOUT PREVIOUSLY REACHING A HARMONIZATION OF ECONOMIC POLICIES OF IMF MEMBERS, WITHOUT
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REDUCING THE GREAT DIFFERENCES IN INFLATION RATES AND

WITHOUT GETTING A HOLD ON EXTENSIVE "VAGABOND" MOVEMENTS OF CAPITAL.

2. ACCORDING TO UNOFFICIAL ESTIMATES, THE DEUTSCHE BUNDESBANK HAS PURCHASED ABOUT DM 2.1 BILLION ON THE GERMAN BOND MARKET SINCE JUNE 27 IN OPEN MARKET OPERATIONS. DURING THE PAST WEEK BUNDESBANK PURCHASES AMOUNTED TO ABOUT DM 10 MILLION PER DAY, DOWN SIGNIFICANTLY FROM THE SIZABLE PURCHASES IN LATE JULY.

3. FOREIGN EXCHANGE MARKET: THE DOLLAR CONTINUED TO STRENGTHEN ON GERMAN FOREIGN EXCHANGE MARKETS. THE SPOT DOLLAR RATE REACHED ON AUGUST 7 WAS THE HIGHEST SINCE OCTOBER 22, 1974. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

		FORWARD DOLLARS (DISCOUNTS IN PCT. P.A.)	
SPOT DOLLARS		ONE-MONTH	THREE-MONTH
JULY 31	DM 2.5765	-2.6	-3.1
AUG 1	2.5740	-2.8	-3.0
4	2.5783	-2.8	-3.1
5	2.5605	-3.1	-3.4
6	2.5650	-3.0	-3.4
7	2.5828	-3.7	-3.8

WITHIN THE JOINT FLOAT THE DEUTSCHEMARK REMAINED THE WEAKEST CURRENCY. THE SWEDISH CROWN REACHED ITS UPPER INTERVENTION POINT DURING THE WEEK WHILE ALL OTHER FLOAT CURRENCIES REMAINED BELOW THIS POINT.

4. MONEY MARKET: THE GERMAN MONEY MARKET EASED. CALL MONEY RATES REMAINED SUBSTANTIALLY BELOW THE 4 1/2 PERCENT REDISCOUNT RATE. RATES FOR ONE-MONTH AND THREE-MONTH MONEY ALSO DECLINED SLIGHTLY. DURING THE

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 2004

INFO AMEMBASSY BERN

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USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

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REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED
AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

JULY 31	O.-1.O	4.O-4.3	4.2-4.5
AUG 1	3.O-3.5	3.8-4.2	4.2-4.6
4	2.5-2.8	3.8-4.2	4.2-4.5
5	2.7-3.O	3.8-4.1	4.1-4.4
6	2.4-2.7	3.7-4.O	4.1-4.4
7	1.8-2.2	3.6-3.9	3.8-4.1

5. BOND MARKET: DURING THE REPORTING WEEK FAZ AVERAGE
YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS
DEVELOPED AS FOLLOWS:
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8 PERCENT 7 PERCENT 6 PERCENT

JULY 31	8.89	8.9O	8.34
AUG 1	8.87	8.9O	8.4O
4	8.82	8.89	8.38
5	8.82	8.88	8.38
6	8.81	8.87	8.39
7	8.83	8.86	8.38

THE GERMAN PRESS REPORTED THE CURRENT OFFER OF A PRIVATE
PLACEMENT OF A FOREIGN DM BOND: DM 10 MILLION FOR THE
A/S FOLLUM FABRIKKER, RINGERIKE/NORWAY, CARRYING A
COUPON OF 8 1/2 PERCENT. THE BOND IS GUARANTEED BY
THE DEN NORSKE CREDITBANK.

6. DATA ON CHANGES IN BUNDESBANK FOREIGN POSITION AND
BANK LIQUIDITY DURING THE FOURTH WEEK OF JULY WERE NOT
AVAILABLE AT TIME OF PREPATION OF THIS TELEGRAM.
HILLENBRAND

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